

Perennia Food & Agriculture Incorporated

Financial Statements
March 31, 2017

Management's Responsibility for the Financial Statements

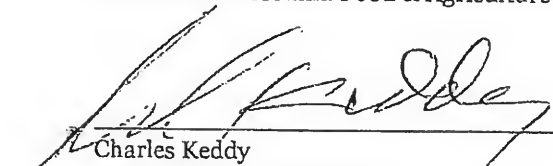
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these financial statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

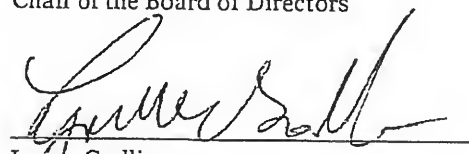
The Board of Directors (the "Board") are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and external audited financial statements yearly.

The external auditors, PricewaterhouseCoopers LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Perennia Food & Agriculture Incorporated and meet when required.

On behalf of Perennia Food & Agriculture Incorporated



Charles Keddy
Chair of the Board of Directors



Lynne Godlien
Acting Chief Executive Officer

June 12, 2017



June 12, 2017

Independent Auditor's Report

To the Shareholder of Perennia Food & Agriculture Incorporated

We have audited the accompanying financial statements of the Perennia Food & Agriculture Incorporated (the "Company"), which comprise the statement of financial position as at March 31, 2017 and the statements of operations, changes in net financial assets, remeasurement gains and losses and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2017 and the results of its operations, changes in net financial assets, remeasurement losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Perennia Food & Agriculture Incorporated

Statement of Financial Position

As at March 31, 2017

	2017 \$	2016 \$
Assets		
Current assets		
Cash	535,370	121,365
Accounts receivable (note 4)	857,960	1,991,692
Portfolio investments (note 5)	1,607,650	1,231,421
Restricted investments (note 5)	527,591	527,591
	3,528,571	3,872,069
Long-term assets		
Loan receivable (note 15)	—	272,959
	3,528,571	4,145,028
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	917,965	646,905
Deferred revenue	1,000,704	1,717,317
Deposits held in trust	2,975	8,340
	1,921,644	2,372,562
Net financial assets	1,606,927	1,772,466
Non-financial assets		
Tangible capital assets (note 7)	1,033,330	717,727
Prepaid expenses	18,673	16,292
	1,052,003	734,019
Accumulated surplus (note 12)	2,658,930	2,506,485
Commitments (note 9)		
Contingency (note 14)		

Approved by the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements.

Perennia Food & Agriculture Incorporated

Statement of Operations

For the year ended March 31, 2017

	Unaudited Budget 2017 \$	Actual 2017 \$	Actual 2016 \$
Revenue			
Government operating grants	2,511,000	2,485,532	2,511,300
Provincial consulting fees and project management	838,888	1,549,069	917,293
General consulting fees	1,003,900	1,012,554	961,031
Investment income	—	18,423	21,194
Other revenue	56,400	12,502	36,834
Lease and rental income	227,500	127,400	182,587
	4,637,688	5,205,480	4,630,239
Expenses			
Other project related	371,800	785,939	887,591
Salaries and wages	2,932,400	2,856,914	2,543,129
Professional services	329,700	313,687	312,515
Advertising and promotional expenses	129,900	58,197	107,125
Amortization	149,000	176,373	178,122
Bad debt expense	3,200	287,100	6,804
Dues and memberships	13,300	17,858	13,819
Insurance	9,300	7,300	9,300
Interest, bank and investment expenses	37,000	41,189	43,420
IT expenses	48,200	23,144	14,366
Lab and field supplies	41,200	39,148	44,069
Loss (gain) on disposal of assets	2,800	(1,000)	57
Maintenance expenses	20,000	8,205	16,206
Meeting expenses	36,700	25,770	18,575
Office supplies	22,100	25,828	32,175
Professional development	45,300	29,456	31,170
Recruitment expenses	—	4,965	—
Rent/lease expenses	151,400	151,982	152,645
Telecommunications expenses	85,500	126,461	100,118
Travel expenses	208,880	168,278	175,412
	4,637,680	5,146,794	4,686,618
Surplus (deficit)	8	58,686	(56,379)
Accumulated surplus – Beginning of year (note 12)	365,495	1,707,592	1,763,971
Accumulated surplus – End of year (note 12)	365,503	1,766,278	1,707,592

The accompanying notes are an integral part of these financial statements.

Perennia Food & Agriculture Incorporated

Statement of Changes in Net Financial Assets

For the year ended March 31, 2017

	Unaudited Budget 2017 \$	Actual 2017 \$	Actual 2016 \$
Operating surplus (deficit)	8	58,686	(56,379)
Net remeasurement gains (losses)	—	93,758	(33,767)
Additions to capital assets	—	(491,976)	(162,060)
Amortization	149,000	176,373	178,122
Loss (gain) on disposal of tangible capital assets	2,800	(1,000)	57
Proceeds on disposition of tangible capital assets	—	1,000	—
	151,800	(221,845)	(17,648)
Acquisition of prepaid expense	—	(127,053)	(92,919)
Consumption of prepaid expense	—	124,673	88,127
	151,800	(224,225)	(22,440)
Increase (decrease) in net financial assets	151,808	(165,539)	(78,819)
Financial assets – Beginning of year	961,442	1,772,466	1,851,285
Financial assets – End of year	1,113,250	1,606,927	1,772,466

The accompanying notes are an integral part of these financial statements.

Perennia Food & Agriculture Incorporated

Statement of Remeasurement Gains

For the year ended March 31, 2017

	2017 \$	2016 \$
Accumulated remeasurement gains – Beginning of year	271,298	305,187
Adjustment	–	(122)
Unrealized gains (losses) attributable to portfolio investments	93,758	(33,767)
Accumulated remeasurement gains – End of year (note 12)	<u>365,056</u>	<u>271,298</u>

The accompanying notes are an integral part of these financial statements.

Perennia Food & Agriculture Incorporated

Statement of Cash Flows

For the year ended March 31, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating transactions		
Operating surplus (deficit)	58,686	(56,379)
Non-cash items		
Amortization	176,373	178,122
Loss (gain) on disposal of tangible capital assets	(1,000)	57
	234,059	121,800
Change in non-cash working capital balances		
Accounts receivable	1,133,733	(1,212,844)
Accounts payable and accrued liabilities	271,060	(14,895)
Prepaid expenses	(2,381)	(4,792)
Deferred revenue	(716,613)	1,305,942
Deposits held in trust	(5,365)	-
	914,493	195,211
Investing transactions		
Net change in portfolio investments and restricted investments	(282,471)	(449,839)
Capital transactions		
Acquisition of tangible capital assets	(491,976)	(162,060)
Proceeds on disposal of tangible capital assets	1,000	-
Advances of loans receivable	-	(350,000)
Reduction in loans receivable	272,959	77,041
	(218,017)	(435,019)
Net change in cash during the year	414,005	(689,647)
Cash – Beginning of year	121,365	811,012
Cash – End of year	535,370	121,365

The accompanying notes are an integral part of these financial statements.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2017

1 Nature of operations

Perennia Food & Agriculture Incorporated (the "Company") went through a restructuring which merged the former Agrapoint International and Atlantic Bioventure Centre to create the Company.

The Company continues to operate as a government organization. The Company's objectives are to provide knowledge and advice to the agriculture and seafood sector aimed at creating wealth.

2 Significant accounting policies

Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investment.

Portfolio investments

The Company invests in fixed income bonds, equities and guaranteed investment certificates. The Company measures their investments at fair value. The change in the fair value of the portfolio investments is recognized in the statement of remeasurement gains and losses. At the time when the portfolio investment is derecognized, the accumulated measurement gain or loss associated with the derecognized item is reversed and reclassified to the statement of operations.

Tangible capital assets

Tangible capital assets are stated at cost. Amortization is provided by the diminishing balance method at the following annual rates:

Buildings	10%
Computer hardware	55%
Computer software	100%
Equipment and office equipment	20%
Freight trucks and trailers	30%

Leaseholds are being amortized by the straight-line method over 5 years which is the term of the lease.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2017

2 Significant accounting policies (continued)

Tangible capital assets (continued)

Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Company's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than the net book value.

Prepaid expenses

Prepaid expenses are charged to expense over the periods expected to benefit from it.

Revenue recognition

Revenue related to the Province of Nova Scotia's annual contribution is recognized equally over the year in which it is received.

Investment income is recognized as revenue when earned.

Consulting and fee income is recognized as revenue when the related expenses are incurred.

Nova Scotia Department of Agriculture project revenue is recognized as revenue when the related expenses are incurred.

Interest revenue on loans receivable is recognized when earned. Interest revenue ceases to be accrued on a loan when the collectability of either the principal or interest is not reasonably assured.

Financial instruments

Measurement of financial instruments

The Company initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Company subsequently measures all its financial assets and financial liabilities at amortized cost, except for portfolio investments that are quoted in an active market, which are measured at fair value. The quoted prices in active markets represent a Level 1 in the fair value hierarchy used to measure fair value. Changes in fair value are recognized in the statement of remeasurement gains and losses. At the time when the investment is derecognized, the accumulated measurement gain or loss associated with the derecognized item is reversed and reclassified to the statement of operations.

Financial assets measured at amortized cost include cash, accounts receivable and loans receivable. Financial liabilities measured at amortized cost include accounts payable.

The Company's financial assets measured at fair value include portfolio investments that are quoted in an active market.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2017

2 Significant accounting policies (continued)

Financial instruments (continued)

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in the statement of operations. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of any reversal is recognized in the statement of operations.

Transaction costs

The Company recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Expenses

Expenses are reported on an accrual basis.

Employee future benefits

The Company participates in a defined contribution group RPP matching plan for its full-time, permanent employees who have been employed with the Company for at least three months. The plan is not mandatory for the employees. Contributions are expensed in the period incurred.

Funds and reserves

Certain amounts, as approved by the Board of Directors, have been set aside in accumulated surplus for general contingencies. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

Measurement uncertainty

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the useful life of capital assets, rates for amortization and allowance for doubtful accounts.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2017

3 Financial instruments

Risks and concentrations

The Company is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at the statement of financial position date.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risks relate to its accounts receivable. The Company provides credit to its clients in the normal course of its operations. The Company has recorded an allowance for bad debts of \$287,100 during the year and recovered bad debts of \$nil during the period from a prior period.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its fixed and floating interest rate financial instruments. The fixed-rate instruments subject the Company to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

4 Accounts receivable

	2017 \$	2016 \$
Accounts receivable – Province of Nova Scotia	530,965	1,591,760
Accounts receivable – Other	327,440	386,013
Accrued receivables	93,207	25,219
	951,612	2,002,992
Allowance for doubtful accounts	(93,653)	(11,300)
	857,959	1,991,692

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2017

5 Portfolio investments

	2017 \$	2016 \$
Investments in bond pooled funds, Canadian equities pooled funds, US equities pooled funds and international equities pooled funds. The cost of these investments is \$1,846,740	1,819,347	1,754,012
Investments in GICs	315,894	—
	2,135,241	1,754,012
Less: Restricted investments (see below)	527,591	527,591
	1,607,650	1,226,421
100,000 Class A common-shares, having an agreed upon value of \$0.05 (2016 - \$0.05) per share, investments in Performance Genomics Inc. ("PGI"). This represents 1% of the issued equity. During the year PGI wound up its operations and therefore the Company removed its shares from their records.	—	5,000
	1,607,650	1,231,421

The Board of Directors approved that \$400,000 of the long-term investments be internally restricted for the purposes of covering emergency cash flow requirements and general contingencies.

The Board of Directors approved that \$127,591 be internally restricted for future AgriFlex related expenses.

6 Accounts payable and accrued liabilities

	2017 \$	2016 \$
Accounts payable and accrued liabilities	917,965	626,796
Government remittances	—	20,109
	917,965	646,905

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2017

7 Tangible capital assets

	Computer hardware \$	Computer software \$	Office equipment \$	Equipment/ freight trucks/ trailers \$	Buildings \$	Leasehold improvements \$	Total 2017 \$	Total 2016 \$
Acquisition cost as of April 1	152,455	28,733	76,458	592,373	12,989	372,091	1,235,099	1,075,039
Additions	18,083	4,313	—	61,934	—	407,646	491,976	162,060
Disposals	—	(28,733)	—	—	—	—	(28,733)	(2,000)
Total acquisition cost of March 31	170,538	4,313	76,458	654,307	12,989	779,737	1,698,342	1,235,099
Accumulated amortization as of April 1	130,570	28,733	63,045	147,457	649	146,918	517,372	341,193
Amortization	16,265	2,174	2,705	88,813	1,244	65,172	176,373	178,122
Accumulated amortization on disposals	—	(28,733)	—	—	—	—	(28,733)	(1,943)
Total accumulated amortization as of March 31	146,835	2,174	65,750	236,270	1,893	212,090	665,012	517,372
Total net carrying value as of March 31	23,703	2,139	10,708	418,037	11,096	567,647	1,033,330	717,727

8 Income taxes

The Company and its property are exempt from taxation under section 149 (1)(d) of the Income Tax Act.

9 Commitments

The Company is renting office premises in Kentville and Truro. The long-term lease for Kentville expired in April 2017, and the office space in Truro is rented on a month by month term. Although the long term lease for Kentville has expired the Company has no plans to vacate the premises and is looking to extend the lease. The rent payable for the Kentville and Truro premises is \$46,153 semi-annually for Kentville and \$3,783 monthly for the first five months of Fiscal 2018 then \$3,835 onwards.

The Company is leasing office equipment expiring July 2021. The annual rent for the next four years is as follows:

	\$
2018	13,615
2019	13,615
2020	13,615
2021	3,403

The Company has entered into an agreement with an arms-length party to perform information technology related contract services for the period April 1, 2017 to March 31, 2018. The annual contract is limited to a maximum of \$45,000, plus HST. Services will be rendered on an as needed basis.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2017

10 Employee future benefits

The Company participates in a defined contribution group RRSP matching plan for its full-time, permanent employees who have been employed with the Company for at least three months. The plan is not mandatory for the employees. Contributions are expensed in the period incurred. The Company contributed \$92,841 (2016 - \$84,563) to the plan during the year.

11 Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the board. The budgeted figures provided have not been audited.

12 Surplus and accumulated surplus

Surplus is comprised of the following:

	2017 \$	2016 \$
Operating surplus (deficit)	58,686	(56,379)
Remeasurement gains and losses	93,758	(33,767)
Adjustment	—	122
	<u>152,444</u>	<u>(90,024)</u>

Accumulated surplus is comprised of the following:

	2017 \$	2016 \$
Accumulated operating surplus	1,766,279	1,707,592
Accumulated remeasurement gains	365,056	271,298
Fund for general contingencies	400,000	400,000
Fund for future AgriFlex expenses	127,591	127,591
Adjustment	4	4
	<u>2,658,930</u>	<u>2,506,485</u>

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2017

13 Compensation disclosure required pursuant to the public sector compensation disclosure act

Section 3 of the Public Sector Compensation Disclosure Act of the Province of Nova Scotia requires public sector bodies to publicly disclose the amount of compensation it pays or provides, directly or indirectly, to any person in the fiscal year if the compensation to that person is one hundred thousand dollars or more including compensation paid to, or for the benefit of, each of its board members, officers, employees, contractors and consultants.

Section 4 of the Act requires that the information reported be disclosed in the body of the audited financial statements of the Company or in a statement prepared for the purposes of the Act and certified by its auditors. The Company has chosen to disclose this required information as part of its audited financial statements.

For the year ended March 31, 2017, the following employees received compensation of \$100,000 or more:

	\$
Jo Ann Fewer	119,000

14 Contingency

There are two legal claims against the Company, one related to a customer's losses resulting from the handling of strawberry virus for 2012-14 and another related to a claim for a severance package for non-renewal of an employee contract. The likelihood of loss or estimate of loss is undeterminable at time of issue of these financial statements.

15 Loan receivable

In the prior year, the Company advanced \$350,000 to a non-related party for financing renovations. This loan receivable was unsecured, beared interest at 3% per annum and was being recovered in monthly receipts of \$6,289. During the year, the Company assessed the collectability of this loan receivable and has provided for the balance as an allowance for doubtful accounts.

	2017 \$	2016 \$
Loan receivable	204,747	272,959
Allowance for doubtful accounts	(204,747)	—
	<hr/> —	<hr/> 272,959